

AR27

STEETLEY INDUSTRIES LIMITED



ANNUAL
REPORT 1972

STEETLEY INDUSTRIES LIMITED
CONSOLIDATED STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL

Six Months Ended June 30
1972 1971
\$ \$

SOURCE OF
WORKING CAPITAL

| | | |
|---|----------------|----------------|
| Net earnings for the period | 387,450 | 330,109 |
| Charges not requiring cash outlay — | | |
| Depreciation and depletion | 454,008 | 357,095 |
| Increase in Minority Shareholders' Interest | 8,515 | 6,723 |
| | <u>849,973</u> | <u>693,927</u> |
| Long Term Bank Loan | — | 210,000 |
| Received on Mortgages Receivable | 14,143 | 4,639 |
| | <u>864,116</u> | <u>908,566</u> |

USE OF WORKING
CAPITAL

| | | |
|--|----------------|------------------|
| Dividends Paid | 171,000 | 123,500 |
| Purchase of Fixed Assets | 380,945 | 578,974 |
| Cash Surrender Value of Life Insurance | 7,723 | 9,042 |
| Payment of Long Term Bank Loan | 100,000 | — |
| Purchase of Shares of Subsidiaries | — | 841,442 |
| Purchase of Long Term Debt of Subsidiary | — | 254,800 |
| | <u>659,668</u> | <u>1,807,758</u> |

| | | |
|--|------------------|------------------|
| Increase (decrease) in Working Capital | 204,448 | (899,192) |
| Working Capital Beginning of Period | 7,982,565 | 7,690,117 |
| Working Capital Purchased | — | 1,097,016 |
| Working Capital End of Period | <u>8,187,013</u> | <u>7,887,941</u> |

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*Conf
report*

INTERIM REPORT

FOR SIX MONTHS ENDED
JUNE 30, 1972

fm

Steetley Industries Limited





TO OUR SHAREHOLDERS:

We are pleased to report results for the six months ended June 30th, 1972 together with a comparison for the same period last year.

The earnings reflect generally the present buoyant Canadian economy. However, prolonged construction strikes in both Toronto and British Columbia have adversely affected the second quarter earnings of Mills Steel Products, Fleck Bros., and Gough & Co. It was pointed out in the Annual Report and first quarter statement that 1972 results were sensitive to labour and management harmony.

Canada Crushed Stone and Queenston Quarries both show increased earnings over last year and somewhat above our forecasts, with the new asphalt plant at Queenston operating well up to our expectations.

Mr. A. C. Machin, B.Sc., has recently been appointed Vice President and General Manager of our Minerals Group, responsible for both quarries. His broad experience in both Canada and U.S.A. will further strengthen our management team.

The last half of the year should be comparable with or better than the same period in 1971, *provided labour peace is attained in the not too distant future.*

CONSOLIDATED STATEMENT OF EARNINGS

| | Six Months Ended June 30th | |
|---|----------------------------|------------|
| | 1972 | 1971 |
| | \$ | \$ |
| Sales | 20,131,965 | 16,997,180 |
| Cost of Sales | 18,946,588 | 16,035,876 |
| | 1,185,377 | 961,304 |
| Depreciation and Depletion | 454,008 | 357,095 |
| Profit from Operations | 731,369 | 604,209 |
| Investment Income | 43,258 | 69,538 |
| Gain on Sale of Assets | 6,673 | 20,094 |
| Profit Before Taxes on Income | 781,300 | 693,841 |
| Taxes on Income | 378,100 | 353,000 |
| | 403,200 | 340,841 |
| Minority Shareholders' Interest | 15,750 | 10,732 |
| NET PROFIT FOR SIX MONTHS | \$ 387,450 | \$ 330,109 |
| Earnings per Common Share | 41 cents | 35 cents |

Hamilton, Ontario
August 2, 1972

J. S. SPEARING
President

Steetley Industries Limited

Annual Report 1972

Financial Highlights

| | 1972 \$ | 1971 \$ |
|---------------------------------------|------------|------------|
| Sales | 43,734,000 | 37,660,000 |
| Net Income | 1,457,000 | 1,207,000 |
| Net Earnings per Common Share | \$1.53 | \$1.27 |
| Dividends Declared — per Common Share | \$.36 | \$.29 |
| Capital Expenditures | 1,225,000 | 1,445,000 |
| Depreciation & Depletion | 874,000 | 760,000 |
| Working Capital — Year End | 8,472,000 | 7,983,000 |

VALUATION DAY VALUE

The value of the Company's shares for the purpose of taxable capital gains as established December 22, 1971 is \$7.00 per share.

Steetley Industries Limited

Corporate Information

Directors

J. C. Burd, Niagara Falls, Ontario
H. M. Griffith, Toronto, Ontario
D. H. Henderson, Hamilton, Ontario
T. E. Ladner, Q.C., Vancouver, British Columbia
J. Laird, Worksop, Notts, England
N. M. Peech, Worksop, Notts, England
C. G. Pirie, Freelon, Ontario
J. S. Spearing, F.C.A., Hamilton, Ontario

Executive Officers

N. M. Peech, Chairman of the Board
D. H. Henderson, Vice-Chairman of the Board
J. S. Spearing, F.C.A., President
H. E. Baker, C.A., Secretary-Treasurer

Operating Companies and other Executives

MINERALS GROUP

A. C. Machin, B.Sc., Vice-President & General Manager

CANADA CRUSHED STONE

A. J. DeMarchi, Vice-President—Operations
R. M. Lennie, Vice-President—Sales

QUEENSTON QUARRIES

J. C. Burd, Vice-President & General Manager

DISTRIBUTION GROUP

VALLANCE BROWN & CO. LIMITED

NORTHERN CANADA SUPPLY LIMITED

P. A. Neuman, Executive Vice-President

FLECK BROS. LIMITED

GOUGH & COMPANY LTD.

J. W. Miller, P.Eng., Executive Vice-President

MILLS STEEL PRODUCTS LIMITED

P. A. Neuman, Vice-President
P. G. Allanson, General Manager

527-3671

Head Office

Harbour Administration Building
Hamilton, Ontario.

Divisions**Canada Crushed Stone — Dundas Quarry**

Produces high grade dolomite stone for metallurgical, agricultural and commercial uses.

Queenston Quarries — Niagara Falls, Ontario

Produces commercial crushed stone, "Queenston Limestone" building stone, and asphaltic concrete.

Subsidiary Companies

Vallance Brown & Co. Limited — Hamilton, Ontario
Distributes industrial, safety and electrical supplies in southern Ontario. A steel service centre serves Toronto and the Niagara Peninsula.

Northern Canada Supply Limited — Oshawa, Ontario
Distributes industrial supplies in Northeastern and South-eastern Ontario and Northwestern Quebec.

Fleck Bros. Limited — Vancouver, British Columbia
Distributes industrial, and safety supplies in British Columbia and the Yukon.

Gough & Company Ltd. — Vancouver, British Columbia
Distributes electrical supplies in British Columbia and the Yukon.

Mills Steel Products Limited — Hamilton, Ontario
Manufactures concrete forming hardware, scaffolding, shores, and fasteners for the automotive industry.

Ritchie Cut Stone Holdings Limited — Hamilton, Ontario
An investment holding company.

Associated Company

National Slag Limited — Hamilton, Ontario
Processes blast furnace slag into aggregates for road construction and civil engineering.

Registrar and Transfer Agents

National Trust Company Limited — Toronto, Ontario

Auditors

McDonald, Currie & Co.

Directors' Report

To the Shareholders of
Steetley Industries Limited

Your Board of Directors takes pleasure in submitting the Twenty-Second Annual Report of the Company, together with the Consolidated Balance Sheet and related financial statements for the year ended December 31, 1972 and the auditors' report thereon.

FINANCIAL

The Company's internal growth and acquisition policies, with the main thrust in the industrial and electrical products distribution markets, are proving sound. Record sales and earnings resulted for the third successive year.

Consolidated sales were up 16% in 1972 from \$37,660,768 to \$43,734,391, and this increase was spread throughout all companies and divisions.

Net earnings after income taxes and minority shareholders' interest were \$1,457,111 in 1972 compared with \$1,206,969 reported last year, an improvement of 21%. Earnings per share rose correspondingly to \$1.53 this year from \$1.27 in 1971.

National Slag Limited, in which the Company holds a one-third interest, paid the same dividend as last year on slightly increased earnings.

The Balance Sheet shows a strong financial position with an increase in working capital of \$489,745 to \$8,472,310, whilst Shareholders' Equity has risen to an all time high of \$11,459,995.

Satisfactory long term financing has been negotiated with the Company's bankers.

OPERATIONS

Canada Crushed Stone and Queenston Quarries

As predicted in the 1971 Directors' Report, Canada Crushed Stone provided improved profits in 1972 with

activity strong in both commercial and metallurgical stone markets. In addition, substantial orders were received, continuing into 1973, for fill projects in the Hamilton area.

Queenston Quarries ended 1972 on an optimistic note with stone and asphalt orders for highway projects on hand for 1973. The new asphalt plant, in its first full year's operation, produced over 120,000 tons and we are very pleased with its reliability and performance.

Mills Steel Products Limited

In spite of prolonged construction strikes in both Metropolitan Toronto and British Columbia, earnings at Mills were higher than 1971 and we have budgeted a further improvement in 1973.

We have designed and are manufacturing a new type building shore to meet stricter safety regulations in Ontario. This new product, as well as adding increased activity in the plant, is replacing the previous shores imported from France, and is performing in excess of our expectations. Further new products allied to the construction industry are being investigated.

Industrial and Electrical Products Distribution

The Distribution Division of the Company has grown rapidly since 1968 and now represents over 50% of Steetley's operating profits, with further growth prospects.

Vallance Brown & Co. Limited completed an interesting and profitable year. The expanded Steel Service Centre increased volume substantially and we are now assessing the feasibility of adding some first stage production equipment. A new 25,000 square foot warehouse for industrial and electrical products distribution has been built at St. Catharines which will add to the services offered in the Niagara Peninsula.

A unique, one-day trade fair was held at the Hamilton Warehouses in November with representation from some sixty suppliers and the booths and facilities were visited by over 1,200 customers. The results are already apparent.

The British Columbia and Yukon operations of Fleck Bros. Limited and Gough & Company Ltd. completed a successful year, although volume and profits were adversely affected in the first half of the year by construction and forest industry strikes.

The new joint branch at Cranbrook, British Columbia met budget in its first full year and a similar new branch will be opened in Kamloops, British Columbia in early February. We also expect to enter the growing Alberta market in the second quarter of 1973.

Acquisition

Your Company acquired all the shares of Northern Canada Supply Limited on January 25, 1973. This long established distributor of industrial products has branches in Ontario at Oshawa, Kingston and Kirkland Lake and in Quebec at Rouyn and Val d'Or. This company will be under the overall direction of Mr. P. A. Neuman who has been appointed Executive Vice President, in addition to his present responsibilities as Executive Vice President of Vallance Brown & Co. Limited. Northern's branches will complement Vallance Brown's operations in Ontario. We offer a warm welcome to our new associates from Northern Canada Supply.

DIVIDENDS

Regular quarterly dividends of 9¢ per share were paid during the year for a total of 36¢ per share, and a dividend of 9¢ per share has been declared for the first quarter of 1973.

MANAGEMENT

Mr. A. C. Machin, B.Sc., joined the Company in July as Vice President and General Manager of our Minerals Group, responsible for both quarries. His broad experience in Canada and the U.S.A. has added further strength to our management team.

GOVERNMENT AND BUSINESS

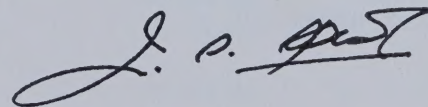
Steetley Industries which is controlled by The Steetley

Company Limited in the United Kingdom will presumably be subject to the Foreign Takeovers Review Act when it is enacted by Parliament as far as any future expansion is concerned. Steetley first entered Canada in 1952 and introduced new skills and technical knowledge in order to manufacture products not then produced in Canada. Since that time Steetley has continued to contribute to the growth and economy of Canada. We trust that any new legislation will have regard for Steetley's past and continuing contribution and will not impede the orderly expansion of its successful operations. All operating executives and three-fourths of the Board of Directors are Canadian citizens and residents.

PROSPECTS

At the present moment the economy is buoyant and we expect that 1973 will show an advance in real terms over 1972 by about 6%. So far, the Canadian winter has been kind to our minerals operations and we look forward to 1973 with more confidence than at this time last year.

Steetley now has approximately 900 employees across Canada. To each of them we express our appreciation and thanks for their contribution to a successful year. These men and women are the fabric of our Company. In particular, we welcome those who have joined us in the last twelve months. The Directors also wish to express their appreciation for the confidence and support shown by customers and suppliers.



J. S. Spearing
President

Hamilton, Ontario
February 9, 1973.

Steetley Industries Limited and Subsidiaries

Consolidated Balance Sheet as at December 31, 1972

| Assets | | 1972 \$ | 1971 \$ |
|--|---|-------------------|-------------------|
| Current Assets | | | |
| | Cash | 176,416 | 31,881 |
| | Short-term investments — at cost (quoted market value 1972 — \$1,169,140; 1971 — \$830,406) | 1,175,000 | 835,000 |
| | Accounts receivable | 7,499,420 | 6,577,025 |
| | Accounts receivable — Parent company | 38,421 | 26,095 |
| | Inventories — at the lower of cost or net realizable value | 8,193,904 | 7,678,885 |
| | Prepaid expenses | 96,199 | 33,991 |
| | | <u>17,179,360</u> | <u>15,182,877</u> |
| Deferred Charges and other Assets | | | |
| | Cash surrender value of life insurance | 93,719 | 83,685 |
| | Investment in National Slag Limited shares | 12,500 | 12,500 |
| | Mortgages receivable | 149,570 | 169,281 |
| | Scaffold equipment — at cost less amounts written off | 297,328 | 220,371 |
| | | <u>553,117</u> | <u>485,837</u> |
| Fixed Assets (Note 2) | | 4,623,433 | 4,315,035 |
| | | <u>22,355,910</u> | <u>19,983,749</u> |

SIGNED ON BEHALF OF THE BOARD — J. S. Spearing, Director; D. H. Henderson, Director

Liabilities and Shareholders' Equity

| | | 1972 \$ | 1971 \$ |
|----------------------|--|------------|------------|
| <hr/> | | | |
| Current Liabilities | Bank advances | 3,477,119 | 3,193,444 |
| | Accounts payable and accrued liabilities | 4,826,388 | 3,633,621 |
| | Income and other taxes | 403,543 | 373,247 |
| | | <hr/> | <hr/> |
| | | 8,707,050 | 7,200,312 |
| <hr/> | | | |
| Other Liabilities | Deferred income taxes | 267,500 | 207,600 |
| | Long-term bank loan | 1,500,000 | 1,813,024 |
| | Mortgages payable | 17,500 | 35,450 |
| | Minority interest in net assets of subsidiary company | 403,865 | 382,479 |
| <hr/> | | | |
| Shareholders' Equity | CAPITAL STOCK | | |
| | Authorized | | |
| | 5,000 6% Cumulative redeemable (at \$105) sinking fund shares at a par value of \$100 each | | |
| | 1,000,000 Common shares without nominal or par value | | |
| | Issued | | |
| | 950,000 Common shares | 95,000 | 95,000 |
| | RETAINED EARNINGS | 11,364,995 | 10,249,884 |
| | | <hr/> | <hr/> |
| | | 11,459,995 | 10,344,884 |
| | | <hr/> | <hr/> |
| | | 22,355,910 | 19,983,749 |
| | | <hr/> | <hr/> |

Steetley Industries Limited and Subsidiaries

Consolidated Statement of Earnings and Retained Earnings

for the year ended December 31, 1972

| | | 1972 \$ | 1971 \$ |
|------------------------------------|---|------------|------------|
| Sales (Note 4) | | 43,734,391 | 37,660,768 |
| Profit from Operations | Profit from operations before the following charges: | 3,187,553 | 2,755,339 |
| | Depreciation | 843,534 | 738,943 |
| | Depletion | 30,645 | 20,829 |
| | | 874,179 | 759,772 |
| | Profit from operations | 2,313,374 | 1,995,567 |
| Financial | Investment income | 238,393 | 255,249 |
| | Gain on sale of assets | 67,804 | 20,094 |
| | | 306,197 | 275,343 |
| | Profit before taxes on income and minority shareholders' interest | 2,619,571 | 2,270,910 |
| | Taxes on income | 1,124,300 | 1,039,500 |
| | | 1,495,271 | 1,231,410 |
| | Minority shareholders' interest | 38,160 | 24,441 |
| Net Earnings for the year (Note 4) | | 1,457,111 | 1,206,969 |
| Retained Earnings | BALANCE — BEGINNING OF YEAR | 10,249,884 | 9,049,030 |
| | Excess of book value of shares purchased over cost | — | 269,385 |
| | | 11,706,995 | 10,525,384 |
| | Dividends — Common | 342,000 | 275,500 |
| | BALANCE — END OF YEAR | 11,364,995 | 10,249,884 |

Steetley Industries Limited and Subsidiaries

Consolidated Statement of Source and Use of Working Capital

for the year ended December 31, 1972

| | | 1972 \$ | 1971 \$ |
|---------------------------|--|------------|------------|
| Source of Working Capital | Net earnings for the year | 1,457,111 | 1,206,969 |
| | Charges not requiring cash outlay — | | |
| | Gain on sale of assets | (67,804) | — |
| | Depreciation and depletion | 874,179 | 759,772 |
| | Deferred income taxes | 59,900 | 41,700 |
| | Increase in minority interest | 21,386 | 14,390 |
| | | <hr/> | <hr/> |
| | | 2,344,772 | 2,022,831 |
| | Decrease in mortgages receivable | 19,711 | 9,442 |
| | Proceeds on disposal of fixed assets | 182,335 | 34,106 |
| Use of Working Capital | Long-term bank loan | — | 50,000 |
| | | <hr/> | <hr/> |
| | | 2,546,818 | 2,116,379 |
| | Payment of bank loan | 313,024 | — |
| | Purchase of shares of subsidiaries | — | 850,185 |
| | Payment of long-term debt of a subsidiary | — | 254,800 |
| | Purchase of fixed assets | 1,225,108 | 1,445,389 |
| | Dividends paid | 342,000 | 275,500 |
| | Net additions to scaffold equipment | 148,957 | 66,936 |
| | Decrease in mortgages payable | 17,950 | 17,935 |
| Working Capital | Increase in cash surrender value of life insurance | 10,034 | 10,202 |
| | | <hr/> | <hr/> |
| | | 2,057,073 | 2,920,947 |
| | INCREASE (DECREASE) IN WORKING CAPITAL | <hr/> | <hr/> |
| | | 489,745 | (804,568) |
| | WORKING CAPITAL — BEGINNING OF YEAR | 7,982,565 | 7,690,117 |
| | Working capital purchased | — | 1,097,016 |
| | | <hr/> | <hr/> |
| | | 7,982,565 | 8,787,133 |
| | Increase (decrease) in working capital | <hr/> | <hr/> |
| | | 489,745 | (804,568) |
| | WORKING CAPITAL — END OF YEAR | <hr/> | <hr/> |
| | | 8,472,310 | 7,982,565 |

Steetley Industries Limited and Subsidiaries

Notes to the Consolidated Financial Statements

for the year ended December 31, 1972

1. Basis of Consolidation The consolidated financial statements include the accounts of the company and its subsidiaries.

| 2. Fixed Assets | These are classified as follows: | 1972 | | | | 1971 |
|-----------------|----------------------------------|------------|--------------------------------|-----------------------------------|-----------|-----------|
| | | Cost \$ | Accumulated Depletion \$ | Accumulated Depreciation \$ | Net \$ | Net \$ |
| | Land | 367,424 | — | — | 367,424 | 370,469 |
| | Buildings | 2,260,745 | — | 716,740 | 1,544,005 | 1,410,735 |
| | Plant and equipment | 8,504,956 | — | 6,349,031 | 2,155,925 | 1,939,658 |
| | Leasehold improvements | 91,482 | — | 31,957 | 59,525 | 66,974 |
| | | 10,857,183 | — | 7,097,728 | 3,759,455 | 3,417,367 |
| | Stone quarries | 1,295,515 | 798,961 | — | 496,554 | 527,199 |
| | | 12,520,122 | 798,961 | 7,097,728 | 4,623,433 | 4,315,035 |

3. Contingent Liabilities The company is contingently liable as guarantor of loans to employees of a subsidiary aggregating \$149,700.

4. Statutory Information (a) Sales by major business classifications are as follows:

| | |
|--------------|-------------------|
| Distribution | \$37,906,387 |
| Minerals | 5,828,004 |
| | <u>43,734,391</u> |

(b) Remuneration of directors and executive officers for the year was \$235,595 (1971 — \$216,155).

(c) Interest on the long-term bank loan for the year was \$165,233.

(d) Earnings per common share were \$1.53 in 1972 and \$1.27 in 1971.

5. Subsequent Event As of January 25, 1973, the company will purchase all of the issued and outstanding shares of Northern Canada Supply Limited at a cost of \$810,000.

Auditors' Report

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

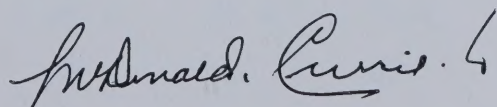
COOPERS & LYBRAND IN PRINCIPAL AREAS OF THE WORLD

105 MAIN STREET EAST, HAMILTON 20, ONTARIO, CANADA. TELEPHONE (416) 525-0002

TO THE SHAREHOLDERS
STEETLEY INDUSTRIES LIMITED

We have examined the consolidated balance sheet of Steetley Industries Limited and subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination of the financial statements of Steetley Industries Limited and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



January 22, 1973

Steetley Industries Limited and Subsidiaries

Statistical Summary

Dollars in thousands except per share statistics

| | 1972 \$ | 1971 \$ | 1970 \$ | 1969 \$ | 1968 \$ | 1967 \$ |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| Operating Results | | | | | | |
| Sales | 43,734 | 37,660 | 19,786 | 15,881 | 14,052 | 6,298 |
| Depreciation & Depletion | 874 | 760 | 569 | 483 | 531 | 541 |
| Earnings before Taxes | 2,619 | 2,270 | 1,719 | 1,277 | 1,738 | 983 |
| Taxes on Income | 1,124 | 1,039 | 829 | 625 | 904 | 441 |
| Minority Interest | 38 | 24 | 37 | 38 | 37 | — |
| Net Earnings | 1,457 | 1,207 | 853 | 614 | 797 | 542 |
| Financial Position | | | | | | |
| Working Capital | 8,472 | 7,983 | 7,690 | 5,767 | 5,473 | 4,472 |
| Property, Plant & Equipment | 4,623 | 4,315 | 3,507 | 2,981 | 2,864 | 2,685 |
| Other Assets | 17,733 | 15,669 | 12,079 | 8,199 | 8,363 | 5,419 |
| Total Assets | 22,356 | 19,984 | 15,586 | 11,180 | 11,227 | 8,104 |
| Long Term & Other Liabilities | 2,189 | 2,438 | 2,526 | 674 | 667 | 90 |
| Shareholders' Equity | 11,460 | 10,345 | 9,144 | 8,526 | 8,126 | 7,348 |
| Per Share | | | | | | |
| Net Income | \$1.53 | \$1.27 | \$.90 | \$.65 | \$.84 | \$.57 |
| Dividends | .36 | .29 | .24 | .24 | .24 | .24 |
| Book Value | 12.06 | 10.89 | 9.63 | 8.97 | 8.55 | 7.73 |

